SGGF

Management Corporation

2007 Annual Report

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

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MANDATE

The Saskatchewan Government Growth Fund Management Corporation was established in 1989 under Order-In-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

VISION

Saskatchewan Government Growth Fund Management Corporation envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

MISSION

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

LETTER OF TRANSMITTAL

Regina, Saskatchewan
February 8, 2008

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2007, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,
Your obedient servant,

Honourable Lyle Stewart
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

CORPORATE OVERVIEW

The Federal Immigrant Investor Program (IIP) was created to promote, encourage, and facilitate the immigration to Canada of persons from abroad who will make a positive contribution to Canada's economic development by applying their risk capital to Canadian ventures which create jobs for Canadians.

Under the investor category of the program, investors are defined as persons who have successfully operated, controlled, or directed a business or commercial undertaking and who have, from their own endeavors, accumulated a net worth of at least $500,000. The investor category is designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

The guidelines of the IIP require investors to make an investment of $250,000 in a government administered venture capital fund accepted by both the Federal and Provincial governments. Neither the Federal government nor the Provincial government provides any guarantee on the return of the principal to the investors. Saskatchewan participated in the program to avail itself of this source of investor capital to support employment creation in the province. In 1999, the province withdrew from the program.

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established to create and manage the funds set up under the terms of the IIP as government administered venture capital funds. SGGF MC administers eight subsidiary fund companies. Each fund is incorporated under The Business Corporations Act.

SGGF MC holds all voting shares for the fund companies and has appointed the directors of each fund company board. SGGF MC delegates all decisions and matters related to the investment activities of the subsidiary fund companies to the boards of directors of each of the funds.

SGGF MC ensures that administrative and investment management services are provided to each of the fund companies through a long-term management agreement with Crown Capital Partners Inc. These services include fund marketing, investor relations and communication services related to the IIP, as well as investment, accounting, and management of the investment portfolios on behalf of the fund companies.

GOVERNANCE STRUCTURE

Due to its designation as a Crown Investments Corporation of Saskatchewan (CIC) Crown corporation, SGGF MC comes under the purview of CIC's governance structure. SGGF MC financial statements are included in CIC's consolidated annual statements.

SGGF MC is sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGF MC has the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal, or other services required.

Role of the Board

The SGGF MC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators. The SGGF MC Board also sets broad performance indicators for the Fund Companies and monitors their results. However, with respect to investment of immigrant monies, the Board maintains an arms length relationship with the Fund Companies who have independent Boards responsible for their investment decisions.

The SGGF MC Board also serves as the Audit Committee. Audit plans are presented to and approved by the Board on an annual basis by the external auditor, Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan. The audit of SGGF MC encompasses an opinion on its financial statements, an opinion on its system of internal control, an opinion on its compliance with legislative and related authorities, as well as any other matters that the auditor may note and report on. Final audit reports are presented to the Board prior to the approval of annual financial reports. In addition, SGGF MC's management provides the Board with an analysis of financial results on a quarterly basis in comparison to prior year and budget amounts, ensuring the Board is apprised of any issues impacting SGGF MC's financial reporting processes and results.

Board Composition

Board members are appointed in accordance with **The Crown Corporations Act, 1993**, for a term of up to three years. Board appointments are recommended by the CIC Board and approved by the Lieutenant Governor in Council.

The SGGF MC Board is composed of five individuals; all are independent of corporate management and of those providing management services to the Fund Companies. The Fund Company Board includes four individuals, all independent of corporate management.

Elizabeth Nash (Chair) holds a Juris Doctor degree, Master of Business Administration, Bachelor of Arts degree in political science and is currently a sole practitioner specializing in securities and corporate governance with public companies and other law firms. Ms. Nash is a member of the U.S. Society of Corporate Secretaries and Corporate Governance Professionals. Ms. Nash resides in Saskatoon, Saskatchewan.

Mary-Lynn Waschuk (Vice-Chair) has extensive experience in the retail sector, the hotel and hospitality industry, marketing and public relations and public sector administration. Now retired, she continues to be an active community volunteer. Ms. Waschuk resides in Elk Ridge Resort near Waskesiu Lake, Saskatchewan.

John Hyshka holds a Bachelor of Commerce degree and has 16 years of economic business development and venture capital experience. He is currently the Chief Financial Officer and Chief Operating Officer of a privately owned biological discovery corporation in Saskatoon, Saskatchewan.

GOVERNANCE STRUCTURE (continued)

Neil Buechler retired as a Managing Director of a global risk management and insurance firm where he was responsible for many large clients. Mr. Buechler is an active volunteer in the community, a Paul Harris Fellow of Rotary International, a member of a number of business associations, and serves on the board of directors of several organizations. Mr. Buechler is a recipient of the Saskatchewan Centennial Medal and resides in Saskatoon, Saskatchewan.

Dave Farrell is founding shareholder and current President of Farrell Agencies Ltd., a full service insurance brokerage located in Yorkton, Saskatchewan. Among his 34 years of community service Mr. Farrell has served as Past President, Yorkton Exhibition Association and as a Director, Insurance Brokers Association of Saskatchewan.

Board Orientation and Director Development

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.

Accountability and Board Performance

The SGGF MC Board has reviewed its governance practices against the CSA Corporate Governance Guidelines. These guidelines address the key areas or responsibility for effective corporate governance. Please refer to the following page for a detailed evaluation of these guidelines against SGGF MC governance practices.

Management Team

The management team of SGGF MC consists of employees of the parent company, CIC. All responsibilities associated with the hiring, evaluation, and administration of the SGGF MC management team are carried out by the Board of Directors in consultation with CIC. Currently, the team consists of three members: President, Chief Financial Officer, and Controller. The President is appointed by the Board of Directors through consultation with CIC.

John Amundson, CA, Acting President, is a Chartered Accountant and holds a Bachelor of Commerce degree. He is currently Corporate Controller at CIC and has 15 years of accounting and finance experience in the public sector.

Mark Anderson, Acting Vice-President and Chief Financial Officer, holds a Bachelor of Administration degree. He is currently Analyst, Performance Management and Financial Analysis at CIC and has 3 years of experience in the public sector.

Dawn Arguin, Controller, holds a Diploma in Accountancy-Financial Management. She is currently a Staff Accountant at CIC and has 15 years of accounting and finance experience in the public sector.

The management team carries out the strategic direction set by the SGGF MC Board of Directors and is accountable to the Board. Its responsibilities include planning, budgeting, internal controls and processes, financial reporting and analysis, and oversight of investment management. The management team works with Crown Capital Partners Inc., the investment services corporation, to ensure administrative and investment management services are provided to each of the Fund Companies.

As CIC employees, the management team carries out its administrative duties in accordance with CIC policies. These policies include a Code of Conduct policy that governs the use of corporate property, adherence to confidentiality policies, and employee conduct. A Conflict of Interest policy is also in place to address the use of confidential information and outside business involvement. The management team, as employees of CIC, does not receive compensation from SGGF MC and as such, Board members do not review compensation programs for the management team.

GOVERNANCE STRUCTURE (continued)

CSA Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:	
(a) The adoption of a strategic planning process.	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation. One of the Board's primary functions is to provide leadership in determining the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan and performance management plan. As part of its planning process, the SGGF MC Board reviews and approves the strategic plan on an annual basis. Financial goals, policy objectives, operating budgets, and business plans of SGGF Fund Companies are important considerations in setting both short term targets and long term strategic direction. **Consistent With CSA Guidelines: YES**
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board identifies the principal risks of the Corporation on an annual basis. Risks are monitored through reporting activities of SGGF MC management and communication with SGGF Fund Company Boards. **Consistent With CSA Guidelines: YES**
(c) Succession planning, including appointing, training, and monitoring senior management.	SGGF MC does not have paid senior management. Senior management is provided by CIC free of charge. CIC has committed to provide executive staff from its Finance & Administration Division. **Consistent With CSA Guidelines: PARTIALLY**
(d) A communications policy for the Corporation.	As a CIC Crown corporation, SGGF MC follows the communications guidelines of the commercial Crown corporation sector. SGGF MC maintains its web-sites, sggfmc.com and sggfmc.ca, to facilitate communication with stakeholders. **Consistent With CSA Guidelines: YES**
(e) The integrity of the Corporation's internal control and management information systems.	The Provincial Auditor of Saskatchewan issues an opinion on SGGF MC's system of internal controls. External auditors and the Provincial Auditor are also provided with an in-camera session with the Board of Directors to discuss internal control for financial reporting issues. **Consistent With CSA Guidelines: YES**
2. (a) The Board should be constituted with a majority of individuals who qualify as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interest and relationships arising from shareholding.	There are currently five individuals on the SGGF MC Board of Directors. Elizabeth Nash (Chair), Mary-Lynn Waschuk (Vice-Chair), John Hyshka, Neil Buechler, and Dave Farrell. None of the Directors are related to the operations of SGGF MC. **Consistent With CSA Guidelines: YES**

GOVERNANCE STRUCTURE (continued)

CSA Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of the shareholders other than the significant shareholder.	SGGF MC is a statutory Crown corporation and does not have any share capital. By Order in Council, SGGF MC is a wholly-owned subsidiary of CIC. **Consistent With CSA Guidelines: YES**
3. The Board is required to disclose on an annual basis the analysis of the application principles supporting the conclusion of whether the director is related or an unrelated director.	Elizabeth Nash: UNRELATED Mary- Lynn Waschuk: UNRELATED John Hyshka: UNRELATED Dave Farrell: UNRELATED Neil Buechler: UNRELATED All five directors are external and unrelated to management. None of the directors have received remuneration from the Corporation in excess of fees and compensation as directors of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. **Consistent With CSA Guidelines: YES**
4. The Board should appoint a committee of directors composed exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	The Board acts as a nomination committee for proposing new members to CIC and Executive Council. All Directors are unrelated to the operations of SGGF MC. **Consistent With CSA Guidelines: YES**
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The SGGF MC Board has a process for assessing its effectiveness, which is consistent with CIC's guidelines. **Consistent With CSA Guidelines: YES**
6. The Board should provide an orientation and education program for new directors.	New Board members are provided with extensive orientation materials and a training program facilitated by CIC. **Consistent With CSA Guidelines: YES**
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Board can examine its size and recommend changes to CIC. **Consistent With CSA Guidelines: PARTIALLY**
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	Compensation for Directors is set up by CIC, the parent company. **Consistent With CSA Guidelines: PARTIALLY**

GOVERNANCE STRUCTURE (continued)

CSA Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
9. Board committees should generally be composed of outside (i.e., non-management) directors, a majority of whom are unrelated.	SGGF MC Board of Directors does not have any members who are part of management. **Consistent With CSA Guidelines: YES**
10. The Board should appoint a committee responsible for developing the Corporation's approach to governance issues and these guidelines.	SGGF MC Board of Directors is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes. **Consistent With CSA Guidelines: PARTIALLY**
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has agreed to Terms of Reference which outline the responsibilities for the Board and Management. The Board of Directors has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies outline the limits to Senior Management's authorities and the levels for which matters must receive Board of Directors approval. **Consistent With CSA Guidelines: YES**
(b) The Board should develop the corporate objectives which the CEO is responsible for meeting.	On an annual basis the Board of Directors provides the President with a mandate itemizing its expectations with respect to the Corporate objectives which will be met over the following year. **Consistent With CSA Guidelines: YES**
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in-camera session is held where the President, as well as senior management staff, is excused. **Consistent With CSA Guidelines: YES**
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	Functions typically performed by an Audit and Finance Committee are carried out by the SGGF MC Board. **Consistent With CSA Guidelines: PARTIALLY**
14. The Board should implement a system which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	The Board may obtain the advice and counsel of external advisors if, in the opinion of the Board, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged. **Consistent With CSA Guidelines: YES**

STRATEGIC PERFORMANCE REPORTING

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Saskatchewan's commercial Crown corporations. For governance purposes, SGGF MC is designated as a CIC Crown Corporation, established to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's IIP.

Under the program, eight subsidiary funds have been created. The funds were marketed to eligible and qualified foreign investors who in return for their investment subscription to a fund received Canadian citizenship under relaxed immigration criteria. The funds invested capital raised from these immigrant investors into small and medium-sized businesses and infrastructure projects in Saskatchewan to support economic growth and diversification.

Performance Management Process

On an annual basis, CIC develops its Crown Sector Strategic Plan which provides a guiding vision for the Crown sector. The Crown Sector Strategic Plan's main objective is to clearly articulate shareholder expectations and provide long-term direction to facilitate planning and corporate strategies in subsidiary Crown corporations that are consistent with shareholder direction. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values, and strategic business objectives.

SGGF MC supports these strategic objectives and has developed specific objectives, measures, and targets that are aligned with these expectations. The investment activities carried out through the SGGF Funds contribute and support the following strategic directions:

- to advance the social and economic policies of the people of Saskatchewan with a specific objective to contribute to economic diversification and growth through the supply of immigrant investor capital to Saskatchewan business; and,
- to operate effectively and efficiently to provide an appropriate return to the people of Saskatchewan as a result of this investment activity; and,
- to facilitate accountability and transparency by publicly reporting quarterly and annual results, made available on the SGGF MC web-sites.

SGGF MC strategic objectives, measures, and targets are approved annually as SGGF MC's Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short and long-term strategic performance management system. SGGF MC measures its performance against the following key objectives using this system. It reports quarterly on its performance to both the SGGF MC and CIC Boards.

STRATEGIC PERFORMANCE REPORTING (continued)

SGGF MC Balanced Scorecard

The SGGF MC balanced scorecards below were approved by the CIC Board of Directors as part of the annual performance management planning process for the Saskatchewan Crown sector. As SGGF MC expects its operations to wind down by 2010, performance measures are limited and financially oriented.

The Financial Perspective reports SGGF MC's performance in returning a profit to the shareholder. In 2007, SGGF MC did not project any dividend to the General Revenue Fund due to current ongoing litigation. SGGF MC is projecting the majority of its cash resources to be paid to the General Revenue Fund after settlement of its outstanding legal issues.

Objectives	Measures	2006 Results	2007 Target	2007 Results	2008 Target	2009 Target	2010 Target
Return cash surplus to the General Revenue Fund (GRF)	Annual cash surplus declared as dividend to SGGF MC from the funds	Nil	Nil	Nil	Nil	$2.4M	Nil

The Public Policy Perspective remains substantially the same as in 2007. It is intended to report SGGF MC's progress in achieving the Crown sector goal to advance provincial economic growth and development. However, as the Fund Companies enter the final stages of their investment life cycles and divestitures occur, the amount of capital employed will continue to decrease. In 2007, capital participation in provincial small and medium-sized enterprises (SMEs) is higher than the $4.0 million target. This is largely a result of a slower than anticipated ability to divest. Efforts will continue in 2008 to meet the scheduled targets for divestiture.

Objectives	Measures	2006 Results	2007 Target	2007 Results	2008 Target	2009 Target	2010 Target
Supply of foreign capital to support provincial economic growth	Active capital participation in provincial SMEs	$12.1M	$4.0M	$7.6M	$4.0M	Nil	Nil
	Capital participation in lease-related investments	$29.9M	$17.0M	$16.8M	$0.7M	$0.2M	Nil

Looking Ahead to 2008

SGGF Fund Companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, the Fund's focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors. The Board of Directors of SGGF MC and its Fund Companies must carefully balance the objective to promote economic development, supporting commercial and viable investments, with the desire to meet investor obligations as they mature.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of SGGF MC is to participate in the Federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next four years.

SGGF MC manages eight government administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF Ltd.);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

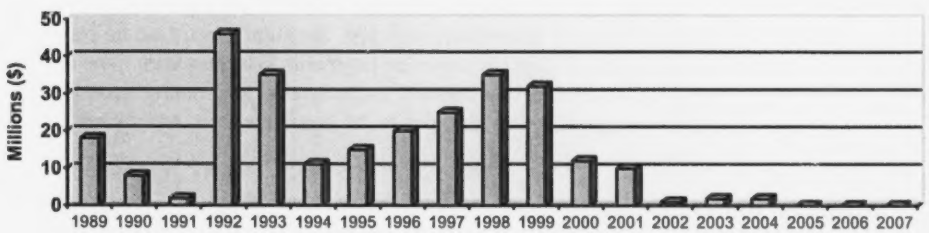
Since 1989, SGGF MC has raised, through its Fund Companies, approximately $275 million of immigrant investor capital for investment in Saskatchewan small and medium-sized enterprises. Approximately $273 million of this capital has been invested in 72 eligible businesses and infrastructure projects. As SGGF Funds are no longer accepting immigrant investor capital, no further investments took place in 2007.

Substantially all of the administration and investment advisory services for the Fund Companies are contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF Ltd.'s results have been consolidated with those of SGGF MC in these financial statements since all of SGGF Ltd.'s investors have been redeemed and SGGF MC is now able to share in the risks and rewards of ownership of SGGF Ltd.

SGGF MC's consolidated loss of $0.79 million for 2007 improved slightly over 2006 results ($0.91 million net loss). The $0.12 million improvement in earnings is primarily due to a $0.50 million legal settlement which occurred in 2006 and a $0.16 million reduction in operating expenses, offset by a decrease of management fee revenue and interest and other income of $0.54 million. The operating revenues of SGGF MC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark up. Management fees are declining due to a decrease in the asset base on which the fund management fee is calculated. Management fee revenue of $0.82 million in 2007 is down from the $1.31 million earned in 2006. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will continue to see revenue reductions in future reporting periods.

Investment Capital Raised



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights

SGGF Ltd.: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise.

SGGF II: The Fund made a payment of $47 thousand in 2005 to each of the 31 investors who had received no payment at the maturity of their bonds. The Fund has liquidated all of its investments and no further payments to bondholders will be possible.

SGGF III: The priority of SGGF III in 2007 continued to be the liquidation of its remaining investments to provide funds for payments to note holders. In 2007, the Fund recorded a net loss of $3.7 million, reflecting a decrease in the fair value of investments. The Fund currently has an accumulated deficit of $2.0 million. Investors have received principal payments totaling $165 thousand. The objective of the Fund is to dispose of the remaining investments in 2009. Additional payments to note holders will be made when cash becomes available from the liquidation of investments.

SGGF IV: The priority of SGGF IV in 2007 continued to be the liquidation of its remaining investments to provide funds for payments to note holders. All investors have now received an initial payment of $240 thousand on their note. In 2007, SGGF IV recorded a net loss of $29.0 thousand primarily as a result of a decrease in the estimated fair value of an investment resulting in an accumulated deficit of $0.9 million. It is unlikely that the Fund will be able to repay the full principal amount of note obligations to investors. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, payment of some additional principal amounts may be possible in 2008.

SGGF V: During 2007, the priority of SGGF V was generating cash to repay principal amounts of notes. The Fund recorded net income for the year of $3 thousand. The accumulated deficit of the Fund is currently at $1.5 million. It is unlikely that the Fund will be able to repay the full principal amount of note obligations to investors. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, an additional payment to note holders may be possible in 2008.

SGGF VI: During 2007, the priority for SGGF VI was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $331 thousand, reflecting that net investment income exceeded administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $1.0 million. In 2007, the amount paid at maturity of notes was increased to $220 thousand from $205 thousand. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2008.

SGGF VII: The priority for SGGF VII in 2007 was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $308 thousand, reflecting that net investment income exceeded the administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $1.6 million. In 2007, the amount paid at maturity of the notes was increased to $210 thousand from $195 thousand set in 2006. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2008.

SGGF VIII: During 2007, the priority for SGGF VIII was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $284 thousand, reflecting that net investment income exceeded the administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $1.8 million. In 2007, the amount paid at maturity of the notes was increased to $195 thousand from $190 thousand set in 2006. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook for 2008

SGGF Ltd. will continue to work towards liquidation of its remaining investments and winding up the Fund.

During 2008, the priority of SGGF Funds III, IV, V, VI, VII and VIII will continue to be to actively manage its remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances so that additional payments due on notes can be made to remaining investors. Additional payments will be made when cash becomes available from the liquidation of the Fund Companies' investments.

Summary of Financial Position (As at December 31, 2007)

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Equity (Deficiency)
SGGF Ltd	$ 2,048,961	$ 126,431	$ 4,126	$ 2,179,518	$ 795,024	$ 1,384,494
SGGF II	74,959	–	–	74,959	7,909,187	(7,834,228)
SGGF III	325,132	7,000,786	–	7,325,918	9,330,963	(2,005,045)
SGGF IV	520,881	55,784	–	576,665	1,491,424	(914,759)
SGGF V	1,392,049	1,870,241	5,468	3,267,758	4,800,220	(1,532,462)
SGGF VI	981,790	6,528,000	48,498	7,558,288	8,599,375	(1,041,087)
SGGF VII	1,250,364	5,862,047	52,875	7,165,286	8,775,568	(1,610,282)
SGGF VIII	284,593	5,327,600	64,400	5,676,593	7,485,462	(1,808,869)
Total	$ 6,878,729	$ 26,770,889	$ 175,367	$ 33,824,985	$ 49,187,223	$ (15,362,238)

Summary of Results of Operations (For the Year Ending December 31, 2007)

	Revenues	Administrative Expenses (Recoveries)	Financial Expenses	Total Expenses	Income (loss) from Operations	Change in Investment Value	Net Earnings/(Loss)
SGGF Ltd	$ 96,172	$ 786,675	$ -	$ 786,675	$ (690,503)	$ (43,555)	$ (734,058)
SGGF II	4,757	8,265	-	8,265	(3,508)	-	(3,508)
SGGF III	18,141	(87,420)	-	(87,420)	105,561	(3,828,222)	(3,722,661)
SGGF IV	16,067	24,568	-	24,568	(8,501)	(20,222)	(28,723)
SGGF V	135,187	80,623	42,111	122,734	12,453	(9,914)	2,539
SGGF VI	770,334	208,021	186,271	394,292	376,042	(44,748)	331,294
SGGF VII	733,465	200,243	183,688	383,931	349,534	(41,618)	307,916
SGGF VIII	583,804	159,725	117,915	277,640	306,164	(22,473)	283,691
Total	$ 2,357,927	$ 1,380,700	$ 529,985	$ 1,910,685	$ 447,242	$(4,010,752)	$ (3,563,510)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

On behalf of management,

John Amundson, CA
Acting President

Mark Anderson
Acting Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2007 and the consolidated statements of operations and comprehensive income (loss), retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
February 8, 2008

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Financial Position
As at December 31

	2007	2006
Assets		
Current		
Cash and cash equivalents (Note 4)	$ 2,738,745	$ 3,327,435
Accounts receivable	38,514	54,921
	2,777,259	3,382,356
Investments (Note 5)	126,431	96,182
Investments in fund companies (Note 6)	-	8,000
	$ 2,903,690	$ 3,486,538
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 610,944	$ 478,204
Site restoration liability (Note 8)	200,000	200,000
	810,944	678,204
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	2,091,715	2,807,303
	2,092,746	2,808,334
	$ 2,903,690	$ 3,486,538

Contingencies (Note 10)

(See accompanying notes)

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Operations and Comprehensive Income (Loss)
For the Year Ended December 31

	2007	2006
Revenues		
Management fees (Note 11)	$ 821,278	$ 1,307,094
Interest and other income	87,091	139,651
	908,369	1,446,745
Expenses		
Fund manager fees	673,238	1,084,981
Legal fees and professional fees	942,291	661,191
Directors' fees and expenses	66,742	106,539
General administration	7,490	3,424
	1,689,761	1,856,135
Loss before the following	(781,392)	(409,390)
Loss on write-down of investments (Note 6)	8,000	-
Legal settlement expense	-	500,000
Net loss	(789,392)	(909,390)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	$ (789,392)	$ (909,390)

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Retained Earnings
For the Year Ended December 31

	2007	2006
Retained earnings, beginning of year	$ 2,807,303	$ 3,716,693
Net loss	(789,392)	(909,390)
Adjustment due to change in accounting policy (Note 3)	73,804	-
Retained earnings, end of year	$ 2,091,715	$ 2,807,303

(See accompanying notes)

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2007	2006
Operating activities		
Net loss	**$ (789,392)**	$ (909,390)
Items not affecting cash from operations:		
Legal settlement expense	**-**	500,000
Net loss in market value of investments	**51,555**	-
Net change in non-cash balances related to operations (Note 12)	**149,147**	260,803
Cash used in operating activities	**(588,690)**	(148,587)
Investing activities		
Release of funds in trust	**-**	900,000
Cash provided by investing activities	**-**	900,000
Change in cash and cash equivalents during year	**(588,690)**	751,413
Cash and cash equivalents, beginning of year	**3,327,435**	2,576,022
Cash and cash equivalents, end of year	**$ 2,738,745**	$ 3,327,435

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
December 31, 2007

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program (IIP). Order-in-Council #660/1998 establishes that the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of SGGF MC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

SGGF MC is a Saskatchewan Crown corporation and therefore is not subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation principles and basis of presentation

The consolidated financial statements include the accounts of SGGF MC and its wholly-owned subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF Ltd.). All inter-company transactions and balances have been eliminated. See Note 14 for additional information.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Comprehensive Income (Loss) in the period in which they become known.

Cash and cash equivalents

Cash and cash equivalents include investments in money market instruments, which are purchased with maturity dates in the current year. Cash equivalents are stated at cost which approximates market value.

Investments

Investments include equity investments in private and public companies. Fair values are based on quoted market prices, specifically the latest bid price, where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading.

2. Summary of significant accounting policies (continued)

Investments in fund companies

As at December 31, 2007, SGGF MC owns 100 per cent of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF MC does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at net realizable value (see Note 6). Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Future accounting policy changes - capital disclosures and financial instruments

In March 2007, the Accounting Standards Board (AcSB) issued two new Canadian Institute of Chartered Accountants (CICA) handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Presentation and Disclosure". SGGF MC will be adopting these new sections effective January 1, 2008.

3. Change in accounting policy

Financial assets and financial liabilities

Effective January 1, 2007, the Corporation adopted the accounting recommendations for accounting changes (CICA Handbook Section 1506) in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information and that new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of section 1506 has had no material impact on these audited financial statements.

On January 1, 2007, SGGF MC adopted the CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, CICA Handbook Section 3861 - Financial Instruments - Presentation and Disclosure, CICA Handbook Section 1530, Comprehensive Income, and CICA Handbook Section 3251, Equity.

3. Change in accounting policy (continued)

These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables, or other liabilities. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities. Financial assets can be classified as held-for-trading, available-for-sale, held-to-maturity, and as loans and receivables.

The following is a summary of the Corporation's financial instruments, their classification and measurement basis, and the financial statement impact of adopting the new standards:

- Cash and cash equivalents are measured at cost which approximates fair value due to the short-term maturity. This classification had no impact on the Corporation's financial statements at the time of adoption.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost. This classification had no impact on the Corporation's financial statements at the time of adoption.
- Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost. This classification had no impact on the Corporation's financial statements at the time of adoption.
- Investments are classified as held for trading. As at December 31, 2006 investments had a fair value of $73,804 greater than book value. This amount has been recognized in opening retained earnings.

Comprehensive income

Section 1530, Comprehensive Income, establishes standards for reporting and display of comprehensive income. The Corporation does not have any items that required separated recognition outside of net income, and, as a result, the adoption of this section did not have any impact on the Corporation's financial statements.

Embedded derivatives

The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. From the period January 1, 2003 to December 31, 2007, the Corporation had no contracts with embedded derivatives.

4. Cash and cash equivalents

Included in cash and cash equivalents are $2,049,109 (2006 - $1,697,520) of short-term money market instruments maturing on or before March 31, 2008 which carry an average interest rate of 4.84 per cent (2006 - 4.40 per cent) .

5. Investments

	2007	2006
Equity	$ 126,431	$ 96,182
	$ 126,431	$ 96,182

During the year investments were adjusted as follows:

	2007	2006
Balance, beginning of year	$ 96,182	$ 96,182
Adjustment due to change in accounting policy (Note 3)	73,804	-
New investments	-	-
Dispositions	-	-
Net change in market value of investments	(43,555)	-
Balance, end of year	$ 126,431	$ 96,182

Net change in market value of investments is recorded in interest and other income in the consolidated statement of operations and comprehensive income (loss).

6. Investments in fund companies

	2007	2006
Shares, at net realizable value:		
SGGF II	$ -	$ 1,000
SGGF III	-	2,000
SGGF IV	-	1,000
SGGF V	-	1,000
SGGF VI	-	1,000
SGGF VII	-	1,000
SGGF VIII	-	1,000
	$ -	$ 8,000

During the year, SGGF MC determined that all investments held within the fund companies will be needed to discharge their responsibilities to investors. As a result, SGGF MC has determined the net realizable value of SGGF II through SGGF VIII is nil.

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $100,000 (2006 - $100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF Ltd. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

8. Site restoration liability

SGGF MC recorded a provision of $200,000 in order to place a property currently owned into a saleable condition. Provision for site restoration liability is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result, the recorded amount of this liability could change by a material amount in the near term.

9. Equity advances

SGGF MC does not have share capital. However, SGGF MC has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF MC by CIC.

10. Contingencies

SGGF Ltd., together with other parties, is a defendant in a legal action. SGGF Ltd. believes that the claim is without merit and will vigorously contest the lawsuit. No amounts have been provided in respect of this lawsuit in these consolidated financial statements, and it is not possible to estimate any costs which might result.

11. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF MC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Under the terms of ten year Management Agreements between SGGF MC and the funds, SGGF MC administers the assets of the funds. The Agreements expire in the following years:

SGGF II, III and IV	completion of wind-up
SGGF V	2008
SGGF VI, VII, and VIII	2009

SGGF MC is engaged to provide substantially all of the management services required by the funds. SGGF MC uses the assistance of various investment advisors and a fund manager to perform fund administration and due diligence, monitoring, and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $821,278 (2006 - $1,307,094).

CIC provides management services to SGGF MC without charge.

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

12. Net change in non-cash balances related to operations

	2007	2006
Accounts receivable	$ 16,407	$ 22,419
Accounts payable and accrued liabilities	132,740	238,384
	$ 149,147	$ 260,803

13. Financial instruments

SGGF MC maintains a portfolio of investments in Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk, and liquidity risk.

Market risk

Market risk faced by SGGF MC is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses invested in. Some of the companies are dependent upon a single product or industry. SGGF MC manages these risks through careful due diligence prior to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF MC restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political, or other conditions. SGGF MC conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest rate risk

Interest rate risk reflects the risk that SGGF MC's earnings will decline due to fluctuations in interest rates. SGGF MC manages this risk through careful monitoring and matching the duration of its short-term and long-term investments with its liabilities.

Liquidity risk

Liquidity risk is the risk that difficulty will be encountered in liquidating its investments at an amount close to fair value. There is no immediate need to liquidate the remaining investments. SGGF MC intends to hold these investments until it is able to liquidate them at an amount close to fair value.

13. Financial instruments (continued)

Fair value - investments

Certain of SGGF MC's financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

14. Consolidation of SGGF Ltd.

The results of SGGF Ltd. have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF Ltd. are as follows:

	2007	2006
Statement of Financial Position		
Cash and cash equivalents	$ 2,048,961	$ 2,541,502
Investments	126,431	96,182
Other assets	4,126	2,566
	$ 2,179,518	$ 2,640,250
Liabilities	$ 795,024	$ 521,698
Equity	1,384,494	2,118,552
	$ 2,179,518	$ 2,640,250
Statement of Operations		
Revenues	$ 96,172	$ 68,596
Expenses	(17,482)	(14,389)
Investment losses and legal expenses	(812,748)	(508,758)
Legal settlement	-	(500,000)
Net loss	$ (734,058)	$ (954,551)

CORPORATE DATA

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John Hyshka
Dave Farrell
Neil Buechler

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Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
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